

**REPORT OF THE AUDIT OF THE
GRAVES COUNTY
CLERK**

**For The Year Ended
December 31, 2014**



**ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE GRAVES COUNTY CLERK

**For The Year Ended
December 31, 2014**

The Auditor of Public Accounts has completed the Graves County Clerk's audit for the year ended December 31, 2014. Based upon the audit work performed, the financial statement presents fairly in all material respects, the receipts, disbursements, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$39,416 from the prior year, resulting in excess fees of \$251,175 as of December 31, 2014. Receipts increased by \$188,865 from the prior year and disbursements increased by \$228,281. As of the audit date, the Clerk owes the county excess fees of \$3,767 as a result of unallowable disbursements.

Report Comments:

- 2014-001 The Graves County Clerk Should Eliminate The \$3,767 Deficit In His Official Fee Account
- 2014-002 The County Clerk Should Require Third Party Purchasers To Register And Remit A Tax Sale Deposit In Accordance With 103 KAR 5:180
- 2014-003 The Graves County Clerk Should Strengthen Internal Controls Over Credit Card Expenses
- 2014-004 The Graves County Clerk Should Strengthen Internal Controls Over Customer Charges

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities.

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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jesse Perry, Graves County Judge/Executive
The Honorable Barry Kennemore, Graves County Clerk
Members of the Graves County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying statement of receipts, disbursements, and excess fees - regulatory basis of the County Clerk of Graves County, Kentucky, for the year ended December 31, 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



The Honorable Jesse Perry, Graves County Judge/Executive
The Honorable Barry Kennemore, Graves County Clerk
Members of the Graves County Fiscal Court

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the County Clerk on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the County Clerk, as of December 31, 2014, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2014, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole. The schedule of excess of liabilities over assets is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated in all material respects in relation to the financial statement taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 12, 2015 on our consideration of the Graves County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Graves County Clerk's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control over financial reporting and compliance.

The Honorable Jesse Perry, Graves County Judge/Executive
The Honorable Barry Kennemore, Graves County Clerk
Members of the Graves County Fiscal Court

Other Reporting Required by Government Auditing Standards (Continued)

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2014-001 The Graves County Clerk Should Eliminate The \$3,767 Deficit In His Official Fee Account
- 2014-002 The County Clerk Should Require Third Party Purchasers To Register And Remit A Tax Sale Deposit In Accordance With 103 KAR 5:180
- 2014-003 The Graves County Clerk Should Strengthen Internal Controls Over Credit Card Expenses
- 2014-004 The Graves County Clerk Should Strengthen Internal Controls Over Customer Charges

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

June 12, 2015

GRAVES COUNTY
BARRY KENNEMORE, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2014

Receipts

State Fees For Services	\$	13,539
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Fiscal Court		43,467
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	1,534,993
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Usage Tax		4,125,014
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Tangible Personal Property Tax		3,057,597
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Clerk's Lien Fees		18,122
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Other-

Fish and Game Licenses		4,391
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Marriage Licenses		7,191
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Occupational Licenses		870
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Spouse Abuse		2,820
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Deed Transfer Tax		88,932
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Delinquent Tax	236,586	9,076,516
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Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts		20,943
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Real Estate Mortgages		45,893
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Chattel Mortgages and Financing Statements		105,748
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Powers of Attorney		2,308
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Affordable Housing Trust		34,344
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All Other Recordings		39,365
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Charges for Other Services-

Copywork		12,007
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Postage	3,230	263,838
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Other:

Miscellaneous		7,196
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Interest Earned		39
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Total Receipts		9,404,595
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The accompanying notes are an integral part of this financial statement.

GRAVES COUNTY
 BARRY KENNEMORE, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2014
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 1,135,395

Usage Tax 4,000,747

Tangible Personal Property Tax 1,148,826

Licenses, Taxes, and Fees-

Fish and Game Licenses 4,316

Delinquent Tax 30,749

Legal Process Tax 33,592

Affordable Housing Trust 34,344 \$ 6,387,969

Payments to Fiscal Court:

Tangible Personal Property Tax 251,298

Delinquent Tax 23,142

Deed Transfer Tax 84,485 358,925

Payments to Other Districts:

Tangible Personal Property Tax 1,533,227

Delinquent Tax 105,511 1,638,738

Payments to Sheriff

19,872

Payments to County Attorney

30,775

Tax Bill Preparation

7,755

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries 505,294

Employee Benefits-

Employer's Share Social Security 41,387

Materials and Supplies-

Office Supplies 6,459

Election Expense 5,071

The accompanying notes are an integral part of this financial statement.

GRAVES COUNTY
 BARRY KENNEMORE, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2014
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Other Charges-		
Conventions and Travel	\$	8,708
Dues		1,320
Postage		23,133
Refunds		7,999
Insurance and Bonds		3,279
Miscellaneous		5,535
Capital Outlay-		
Office Equipment		<u>3,595</u>
	\$	<u>611,780</u>
Total Disbursements		9,055,814
Less: Disallowed Disbursements		
No supporting documentation - Credit Card Charges		845
Unreasonable/Unnecessary - Food & Fuel		<u>2,922</u>
Total Disallowed Disbursements		<u>3,767</u>
Total Allowable Disbursements		<u>\$ 9,052,047</u>
Net Receipts		352,548
Less: Statutory Maximum		<u>93,863</u>
Excess Fees		258,685
Less: Expense Allowance		3,600
Training Incentive Benefit		<u>3,910</u>
		<u>7,510</u>
Excess Fees Due County for 2014		251,175
Payment to Fiscal Court - January 12, 2015		200,000
Payment to Fiscal Court - February 9, 2015		<u>47,408</u>
		<u>247,408</u>
Balance Due Fiscal Court at Completion of Audit		<u>\$ 3,767</u>

The accompanying notes are an integral part of this financial statement.

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2014

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework. Under this regulatory basis of accounting, receipts and disbursements are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2014 services
- Reimbursements for 2014 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2014

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

GRAVES COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2014
 (Continued)

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 18.89 percent for the first six months and 17.67 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2014
(Continued)

Note 3. Deposits

The Graves County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The Graves County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2014, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Libraries and Archive Grant

The Graves County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$18,948. No funds were expended during the year. The unexpended grant balance was \$18,948 as of December 31, 2014.

Note 5. Escrow Account

The Graves County Clerk maintains a separate account for unclaimed funds resulting from refunds and overpayments. The clerk's escrowed amounts are as follows:

2012	\$208
2013	\$ 91
2014	\$185

KRS 393.090 states that after three years, if funds have not been claimed, they are presumed abandoned and are required to be sent to the Kentucky State Treasurer per KRS 393.110.

GRAVES COUNTY
BARRY KENNEMORE, COUNTY CLERK
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS - REGULATORY BASIS

December 31, 2014

Assets

Cash in Bank	\$ 593,973
Receivables:	<u>130,323</u>
Total Assets	724,296

Liabilities

Paid Obligations:	
Outstanding Checks	\$ 50,269
Paid Liabilities	<u>674,027</u>
Total Paid Obligations	\$ 724,296
Unpaid Obligations:	
Graves County-	
Excess Fees - 2014	<u>3,767</u>
Total Unpaid Obligations	<u>3,767</u>
Total Liabilities	<u>728,063</u>
Total Fund Deficit as of December 31, 2014*	<u><u>\$ (3,767)</u></u>

* See Comment #2014-001

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jesse Perry, Graves County Judge/Executive
The Honorable Barry Kennemore, Graves County Clerk
Members of the Graves County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the statement of receipts, disbursements, and excess fees - regulatory basis of the Graves County Clerk for the year ended December 31, 2014, and the related notes to the financial statement and have issued our report thereon dated June 12, 2015. The County Clerk's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Graves County Clerk's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Graves County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Graves County Clerk's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, which are described in the accompanying comments and recommendations as items 2014-003 and 2014-004 that we consider to be significant deficiencies.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Graves County Clerk's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations as items 2014-001 and 2014-002.

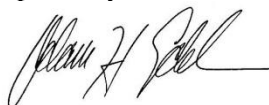
County Clerk's Responses To Findings

The Graves County Clerk's responses to the findings identified in our audit are included in the accompanying comments and recommendations. The Graves County Clerk's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

June 12, 2015

COMMENTS AND RECOMMENDATIONS

GRAVES COUNTY
BARRY KENNEMORE, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2014

STATE LAWS AND REGULATIONS:

2014-001 The Graves County Clerk Should Eliminate The \$3,767 Deficit In His Official Fee Account

The Graves County Clerk has a deficit of \$3,767 for calendar year 2014 due to paying disbursements that did not have any supporting documentation or were not an allowable expense. The Graves County Clerk did not maintain supporting documentation for \$845 in credit card charges, and paid for \$2,922 on unreasonable or unnecessary items, such as food and fuel, from the official fee account.

These types of disbursements are not allowable based on Funk v. Milliken, 317 S.W.2nd 499 (KY 1958). Maintaining proper supporting documentation of expenses is essential for providing evidence of reasonableness and necessity for official use. Without proper supporting documentation, the disbursement is disallowed, resulting in reimbursement by the official to the fee account for the disbursement. We recommend the County Clerk maintain proper supporting documentation of all fee disbursements. We also recommend the County Clerk implement control procedures to ensure the proper supporting documentation is present before a check is written for any disbursement. We recommend that the Graves County Clerk eliminate the deficit by depositing \$3,767 from his personal funds into his official fee account and then remit the \$3,767 to fiscal court as additional excess fees for calendar year 2014.

Graves County Clerk Barry Kennemore's Response: "Have a letter from previous Judge Executive that says meals are actual cost. Also, the previous Judge was aware of the mileage and gas cost."

2014-002 The County Clerk Should Require Third Party Purchasers To Register And Remit A Tax Sale Deposit In Accordance With 103 KAR 5:180

Based on a review of the county clerk's procedures for accounting for third party purchasers' deposits for the delinquent tax sale, the county clerk allows third party purchasers to submit incomplete tax sale registration forms, and does not require third party purchasers to remit the required amount of deposit and any monies remitted for these tax sale deposits are not processed and recorded until after the tax sale date. 103 KAR 5:180 outlines procedures for the sale of certificates of delinquency by county clerks and requires third party purchasers to register with the county clerk office and remit a deposit of 100% of tax bills listed on the purchaser's priority tax bill list and 25% of the list of tax bills that the purchaser wishes to purchase at the tax sale plus any registration fees due to the county clerk's office. KRS 68.210 requires public officials to make timely deposits for all fees collected by their office. We recommend the County Clerk process third party purchasers deposits for tax bill purchases in accordance with 103 KAR 5:180 by depositing them in a timely manner as prescribed by KRS 68.210.

Graves County Clerk Barry Kennemore's Response: "Graves County Clerk's office received blank signed checks from third party purchasers, however, clerk will change procedure next year."

GRAVES COUNTY
BARRY KENNEMORE, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2014
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY:

2014-003 The Graves County Clerk Should Strengthen Internal Controls Over Credit Card Expenses

The Graves County Clerk should implement control procedures to ensure that credit card charges are properly supported. The Clerk did not agree charges on credit card statement with the original receipt and to ensure the expense was authorized and for official business. This significant deficiency allowed disbursements noted in comment 2014-001 to occur. Good internal controls dictate that, proper supporting documentation of expenses evidences that the expense is reasonable and necessary for official use. We recommend that the Clerk strengthen internal controls over credit card expenses.

Graves County Clerk Barry Kennemore's Response: "The County Clerk now has expenditures approved by the County Treasurer."

2014-004 The Graves County Clerk Should Strengthen Internal Controls Over Accounting For Customer Charges

The Graves County Clerk allows certain customers to charge for services received at the clerk's office. For calendar year 2014 total charge business exceeded \$600,000. While performing auditing procedures for these transactions, it was noted that the Clerk did not account for individual account charges and subsequent collections posted to the Clerk's ledgers. This could lead to customers receiving services without settling the account. Accounts receivable are vulnerable to manipulation and should be accounted for by each individual account and reconciled to the total account balance. Subsidiary ledgers are needed to account for these charges to ensure the correct amounts being reported. We recommend that the Graves County Clerk strengthen controls over accounting for these charges by developing a written policy regarding charges and maintaining subsidiary records for each customer that are reconciled to the Clerk's ledgers on a monthly basis.

Graves County Clerk Barry Kennemore's Response: "Those charges are for businesses, car dealers, farmers, trucking companies with large fleet of vehicles, and all charges were paid. Clerk is working with bookkeeper to strengthen customer charges."

